Province of British Columbia
Ministry of Finance and
Corporate Relations

SPECIAL REPORT

A Report by the Comptroller General on Growth and Opportunities BC Grants to the Semiahmoo House Society and Administration of the GO BC Program

Office of the Comptroller General

90-03077/

Province of
British Columbia

COMPTROLLER GENERAL

Ministry of
Finance and
Corporate Relations

Office of the
Comptroller General
Parliament Buildings
Victoria
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December 12, 1989

Honourable Howard Dirks
Provincial Secretary
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Dear Sir:

In response to the request of September 26, 1989, from the Honourable Claude Richmond, Acting Minister of Tourism and Provincial Secretary, I submit this Report on my investigation of the Growth and Opportunities B.C. Grants made to the Semiahmoo House Society, and my review of the administration of the GO B.C. program.

Yours sincerely,

D. Brian Marson
Comptroller General

Attachment

INTRODUCTION

On September 26, 1989, the Honourable Claude Richmond, Acting Minister of Tourism and Provincial Secretary requested that I review two aspects of the Growth and Opportunities B.C. (GO B.C.) grant program. His first request was for an investigation into allegations of irregularities and improprieties with respect to GO B.C. grants paid to the Semiahmoo House Society under the authority of the former Minister of Tourism and Provincial Secretary, Mr. Bill Reid. His second request was for a comprehensive review and evaluation of the GO B.C. grant program. Mr. Richmond's letter to me of September 26,1989, is attached as Appendix I.

My investigation is now complete, and this is my report containing my conclusions and recommendations.

During the investigation I exercised the powers of inquiry given to me under section 7 of the Financial Administration Act to take evidence under oath as authorized by the Chairman of Treasury Board, also on September 26,1989, (Appendix II). I engaged the services of Mr. David Hooper, C.A. from the national accounting firm Ernst & Young, to ensure a strong element of external independence in the investigation. Mr. Hooper, who is a recognized expert in forensic accounting reinforced the resources provided by my own Internal Audit Branch. I also engaged Mr. A.G. Henderson of Davis & Company as counsel to my inquiry. He provided witness examination expertise during the inquiry. The evidence provided by witnesses under oath was recorded by a court reporter. Fifty-eight exhibits were taken into evidence.

Staff of my Internal Audit Branch carried out the review and evaluation of the GO B.C. program, and assisted Mr. Hooper with the investigation of the grant to Semiahmoo House Society.

THE GO B.C. GRANT PROGRAM

In October, 1988 the Government announced a new, three and a half year, $162 million program called Growth and Opportunities (GO) B.C. Its purpose is to enrich the quality of life of British Columbians and to build on the strong feeling of pride in B.C. communities by supporting social, cultural, environmental, recreational, health and economic projects in local communities. Grants are made from the Lottery Fund to provide financial assistance for a broad range of projects which reflect local priorities.

The program guidelines, as published in a GO B.C. brochure, are:

- funding available to a normal level of one third of a project's total costs to a maximum of $1 million;
- funding available for one-time capital costs but not for operating costs;
- applicants must have secured ongoing operating funding;
- projects eligible for assistance from established special-purpose capital funding programs are not eligible;
- projects that have received Expo legacy or Jobtrac funding would not be automatically disqualified;
- applicants must provide a financial plan for the project; and
- funds to be paid in installments, one third when the contract is let or work done, one third when the project is half complete, and the final one third on completion and following submission of an audited statement of expenditures.

FINDINGS

GRANT TO SEMIAHMOO HOUSE SOCIETY FOR A MULTI-MATERIAL RECYCLING PROJECT

The Parties Directly Involved in the $277,065 Grant to the Semiahmoo House Society

Mr. Bill Reid, former Minister of Tourism and Provincial Secretary, (the Minister) was the Minister responsible for the program and gave final approval for all grants made under it.

Mr. Hans Schinz (Schinz), Ministerial Assistant to the Minister, who represented the Minister at one meeting, and acted as a conduit for the flow of some information and documentation.

Mr. Peter Martin (Martin), Executive Director Public Programs, who is the administrator of the GO B.C. grant program.

Mr. Peter Laipnieks (Laipnieks), who is a manager for the British Columbia Purchasing Commission, and is responsible for supplier development in the Lower Mainland Region.

Semiahmoo House Society (the Society), incorporated under the Society Act to provide residential care and employment programs for the mentally disabled. The Society provides a contracted paper recycling service for the City of White Rock. The Society is run by a Board of Directors who give direction to the Executive Director, Ms. Alanna Hendren (Hendren).

ECO-Clean Waste Systems Ltd. (ECO-Clean), incorporated under the Company Act on July 14, 1989, and owned by Mrs. George Doonan. The principal operatives of the company are Mr. George Doonan (Doonan), and Mr. William Sullivan (Sullivan). Doonan acted as Mr. Reid's campaign manager in the 1986 election and is a personal friend, but has no other business associations with him. Sullivan has a very close personal relationship with a member of Mr. Reid's family and a long standing friendship with Mr. Reid. He has no documented business connection with Mr. Reid, except for an option which he once held on Mr. Reid's automobile dealership property for land development purposes.

The City of White Rock (The City), which was the original applicant for a GO B.C. grant to enable them to enter into a multi-material recycling program. Mr. Gordon Hogg (Hogg), is the Mayor of White Rock, Mr. Wayne Baldwin (Baldwin), is the City Administrator, and Mr. Robert Gascoyne (Gascoyne), is the City Engineer.

Also attached for the record as Appendix IV, is a chronology of the events leading to the grant payment made to the Society. This chronology was prepared from the evidence presented to me under oath during the inquiry.

The Investigation Process

All of the people who played a direct part in the grant application, its administrative processing, any meetings to discuss its multi-material recycling implications, the decision to make a grant, and the presentation of the cheque were interviewed by members of the review team. In addition, interviews were held with others who had knowledge of the grant, in order to corroborate and cross-reference the evidence obtained.

Following the audit interviews, all of the people noted above were questioned under oath.

The investigating team made an extensive review of the documentation supporting the grant application and approval. They also searched for other documentation that would shed light on the way in which the grant was made, and the inter-relationship of the key proponents. Witnesses were asked by subpoena to produce any relevant documents in their possession.

Conclusions

I have concluded that the grant of $277,065 to the Society approved by the Minister, was both irregular in relation to normal program guidelines, and improper, because of the close and undisclosed relationship of the Minister with the principals of ECO-Clean, and the manner in which a $50,000 contribution to the capital costs of ECO-Clean was made. This conclusion is consistent with the report dated December 6, 1989, from Mr. Hooper of Ernst and Young. Mr. Hooper's report is reproduced as Appendix III.

Irregularities include the decision by the Minister to make a grant to the Society, even though they had not formally applied for one. The decisions to exceed normal funding guidelines and payment terms, and to make the grant conditional upon ECO-Clean being the supplier of the equipment were also irregular. I also note that ECO-Clean was not officially registered as a company until after the grant was made to the Semiahmoo House Society.

Evidence presented at the inquiry indicated that the Minister was concerned that delays to the project would hinder its success. This concern may have prompted a suggestion from Martin to the Minister that delay could be avoided by awarding the grant to a non-governmental organization such as the Society, which had no requirement for public tender for goods or services, as did the City. The evidence also suggests that the Minister and Martin discussed "premium pricing" the bins to include initial start-up costs incurred by the supplier of the three-bin system. Although the date of these discussions is not certain, it is probable that at this time the Minister knew of the ECO-Clean request for a $50,000 capital contribution for this purpose.

The evidence suggests that the Minister had an unusually high degree of personal involvement in arranging this grant. The administrators of the GO B.C. program in the Ministry of Tourism and Provincial Secretary did not receive all the documentation until after the grant was made. Throughout the inquiry it was clear that no one but the Minister knew the full scope or detail of his plans for a multi-material recycling project for the Semiahmoo Peninsula. I received no evidence which would suggest that the Minister had brought together all the parties to the project, to discuss its structure or implementation before the grant was made.

The relationship between the Minister and the principals of ECO-Clean was not at arms-length. Doonan was the Minister's campaign manager in the 1986 election; Sullivan has been a close friend of Mr. Reid for about twenty years, and has a close relationship with Mr. Reid's daughter. These close personal relationships were not disclosed by the Minister to his officials or to the other parties during the decision making process. The Minister seemed to be unaware of, or chose to disregard, any impropriety in his dealings with Doonan and Sullivan on these matters. Furthermore, no administrative controls were in place within the Ministry to provide the checks and balances necessary to ensure that the Minister would exercise his discretionary powers under the GO B.C. Program in a prudent manner, particularly in a situation such as this. It is my view that had these controls been in place, this grant would not have been made in the manner it was.

The inquiry was told that at least $50,000 was included by Mr. Reid in the price of the bins to be purchased from ECO-Clean to assist in the purchase of a mould by that company. Such treatment is, in my mind, improper. It was Doonan and Sullivan's objective that the three bin system be designated by the provincial government as the "system of choice" for all municipalities receiving recycling grants. If the grant had proceeded as approved, ECO-Clean would have been put in the position of being the sole B.C. supplier of the bins required for the three bin stackable system for municipalities in the Province, for an initial period at least. $50,000 of the capital cost of the production mould would have been paid by the Province. Moreover, since there was no written agreement between the government and ECO-Clean, if ECO-Clean chose to buy bins in the U.S. or offshore, rather than manufacture bins in British Columbia, the $50,000 would have become a windfall gain for ECO-Clean.

Recommendations

As a result of my investigation, I recommend that:

i) the remaining portion of the approved grant to the Society be withheld;

ii) the government initiate action to recover the portion of the grant paid to the Society, and by them to ECO-Clean, that is currently in a trust account held by ECO-Clean's lawyer; and

iii) the City of White Rock's application for a GO B.C. grant be reopened, revised, and given a full review in consultation with City officials.

GRANT TO THE SEMIAHMOO HOUSE SOCIETY FOR THE PURCHASE OF COMPUTERS

Regarding the grant of $23,112.05 to the Society for computers, I have concluded that it was irregular in relation to normal program guidelines. The Minister approved 100% of the project costs rather than the usual 1/3 allowed by the guidelines. The application submitted by the Society indicated that they were requesting only 1/3 of the total cost or $7,704.02. The Society was surprised to receive the full amount.

Although I do not consider the computer grant award to be improper, I find it unusual that this grant was announced at the White Rock Council meeting, at the same time as the $277,065 grant for the recycling project. That there was confusion as to the beneficiary of the $277,065 was evident from the testimony given at the inquiry. The coincidental announcement of the computer grant at the City Council meeting, and the larger grant for the recycling project, contributed to the confusion surrounding the fact that the grant which had been applied for by the City was to be paid to the Society.

GO B.C. GRANT PROGRAM ADMINISTRATION

From my review of the Go B.C. program I have the following observations.

My Internal Audit Branch has reviewed the GO B.C. grant file for each grant authorized by the former Minister, Mr. Reid. During this period 208 grants, totalling $35,375,286 were approved.

The auditors' review showed that on many occasions the former Minister exercised his broad discretionary powers to award grants which did not meet published program guidelines. However, no further cases of impropriety were identified by the audit.

The objectives of the GO B.C. program are to provide funding to as wide a range of community improvement projects as possible. Although program guidelines exist, there is a large degree of ministerial discretion as to what projects are funded, their purposes, and choice of the organizations sponsoring the initiatives.

Conclusions

I have concluded that even though several of the grants authorized went beyond the funding guidelines, no other grants awarded by the Minister appeared to be improper.

It is evident from my review of the program that its desired program flexibility must be balanced by much stronger controls. These stronger controls are essential to assure fair and consistent treatment of all applications, and to ensure that public money is disbursed in a manner which meets the standards of financial management which flow from the Financial Administration Act.

Recommendations

Under the program the Minister was solely responsible for approving the grants. As Mr. Reid stated in his sworn testimony, this is too great a responsibility for one person. The Lottery Act seems to anticipate this problem, as section 3 provides for a Lottery Advisory Committee established by the Lieutenant Governor in Council.

I recommend that the Lottery Act and government procedures be amended to require a Committee of Ministers to approve Lottery Grants in excess of a stated amount in the same way that Treasury Board approves other government grants. Grants below the stated amount could continue to be approved by the Minister but all grants should be the subject of review, evaluation and recommendation by sufficient and appropriately qualified staff in the Lottery Branch. Evaluation criteria should be broad enough to maintain program flexibility, while sufficiently defined to ensure effective control over the expenditure of public funds.

There are some basic requirements needed to properly administer any program that involves paying out money from the public purse. My review has shown that, in some cases, even essential documentation, such as an application form signed by the person seeking a grant, was missing.

I recommend that essential documentation be identified and that no grant be paid without those documents having been completed, approved and filed with the grant administrators.

My investigation also revealed that the Minister dealt directly with the GO B.C. program's Executive Director on all grant approvals. This had the effect of by-passing both the Deputy Minister and the Assistant Deputy Minister. This appears to be the case with all the Lottery Grant programs. The $162 million provided for the GO B.C. program is in excess of three times the 1989 fiscal year budget of the Ministry of Tourism and Provincial Secretary.

It is inconsistent with Treasury Board Policy for the Deputy Minister, as the senior official accountable for the ministry's system for financial administration, and for the Assistant Deputy Minister, not to be fully involved in the lottery grant programs. They should be responsible and accountable for ensuring effective financial management and control with regard to these lottery program funds in the same way as they are accountable for other ministry programs.

I further recommend that the Deputy Minister and the Assistant Deputy Minister be fully involved in, and be accountable for, all lottery grant programs.

My investigation revealed that a verbal condition of the grant to Semiahmoo House Society established by Mr. Reid was that ECO-Clean must be used as the supplier of the recycling truck, bins and litter bins.

I recommend that a condition of GO B.C. grants be that major purchases by recipient organizations be made by a competitive bidding process.

I further recommend that Cabinet approve a strengthened set of GO B.C. program guidelines.

I would like to express my thanks to Mr. Reid and to all those who were involved in this investigation as witnesses. Their cooperation in attending the hearings and in providing evidence to the inquiry was most appreciated.

Province of
British Columbia

OFFICE OF THE
MINISTER

Ministry of
Tourism and
Provincial Secretary

Parliament Buildings
Victoria
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APPENDIX I

September 26, 1989

Mr. D.B. Marson
Comptroller General
Ministry of Finance and
Corporate Relations
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Mr. Marson:

I am writing to request that you undertake an immediate investigation into allegations of irregularities and improprieties with respect to the Growth and Opportunities B.C. grants provided to the Semiahmoo House Society under the authority of the former Minister of Tourism and Provincial Secretary, Mr. Bill Reid. I also request that you investigate and examine, at your discretion, any other grants authorized and paid since the inception of the Growth and Opportunities B.C. program, as you may determine warrant your attention and investigation.

Upon completion, I request that you submit a report to me outlining your findings and conclusions, and in particular, report any evidence of irregularity, impropriety or illegality in the authorization, disbursement, or application of the grants paid to the Semiahmoo House Society, or any other grant which you have determined required your investigation or examination.

In addition, I request that you conduct a comprehensive review and evaluation of the Growth and Opportunities B.C. grant program and report to me. Your report should state whether, in your opinion, the program is being administered with due regard to sound principles of financial management and in accordance with the governing legislation, policies, practices and procedures of the Province of B.C.

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In reporting your observations and conclusions, I would also appreciate it if you would bring forward any recommendations for improvements or corrective action that you may have.

Your cooperation and assistance in this matter is appreciated.

Yours truly,

Claude Richmond

Claude Richmond
Minister

cc: Honourable Mel Couvelier
Chairman
Treasury Board

Province of
British Columbia

Ministry of
Finance and
Corporate Relations

Treasury Board
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British Columbia
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APPENDIX II

September 26, 1989

Mr. D. Brian Marson
Comptroller General
Ministry of Finance and
Corporate Relations
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Mr. Marson:

Re: GO B.C. Investigation

In accordance with its' powers, set out in Section 4 of the Financial Administration Act, Treasury Board directs you to evaluate the management practices; financial management and control; economy, efficiency and effectiveness of the GO B.C. program of the Ministry of Tourism and Provincial Secretary.

Further, Treasury Board directs you to investigate and report on the GO B.C. grant paid to the Semiahmoo House Society.

You are authorized by Treasury Board to employ the powers accorded you under Section 7(2) of the Financial Administration Act, as you deem them necessary in your examination of the matters noted above.

The evaluation and the investigation are to be conducted, and the reports prepared, in accordance with the scope and mandate authorized by the Honourable Claude Richmond, Acting Minister of Tourism and Provincial Secretary.

Yours truly,

Mel Couvelier
Chairman

cc: Honourable Claude Richmond
Acting Minister of Tourism
and Provincial Secretary

Ernst & Young

FOR 125 YEARS, CLARKSON GORDON IN CANADA

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December 6, 1989

Mr. Brian Marson
Comptroller General of British Columbia
Parliament Buildings
Victoria, B.C.
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Dear Mr. Marson:

Pursuant to an agreement dated 26th day of September 1989 between Her Majesty the Queen in Right of the Province of British Columbia and Clarkson Gordon (now Ernst & Young), Chartered Accountants, you have engaged me to undertake an investigation into alleged improprieties and irregularities in the provision of grants under the Growth and Opportunities B.C. Program ("GO B.C.).

Specifically, you have requested that I determine the circumstances surrounding the approval of a Growth and Opportunities B.C. Grant to Semiahmoo House Society ("Semiahmoo") in the amount of $277,065 for a multi-material waste recycling program.

I have completed the investigation into this matter and report as follows.

CONCLUSION

In my opinion the grant of $277,065 to Semiahmoo was approved by the Minister of Tourism and Provincial Secretary, the Hon. William Reid ("the Minister"), in an irregular manner that was a departure from the guidelines that had been established for the issuance of Growth and Opportunities B.C. Grants.

It is my further opinion that the Minister's actions and unusual degree of personal involvement in making this grant to Semiahmoo were improper in view of the facts that:

- Semiahmoo did not make a formal or proper application for funds.
- Semiahmoo was instructed to direct the funds to a company controlled by two personal friends of the Minister.
- The grant included an undisclosed amount of $50,000 to enable the company to purchase capital assets.

PROCEDURES

Upon confirmation of my engagement I met with officials of the Internal Audit Branch, Office of the Comptroller General, to plan and allocate the work required to be done.

The Internal Audit staff investigated the procedures and controls relating to the GO B.C. program. I restricted my investigation to the circumstances surrounding the grant to Semiahmoo.

In cooperation with Mr. Gary Hepburn (Executive Director of Internal Audit) and Mr. Gerry Payne (Director of Operations, Internal Audit), I interviewed staff and officials from the City of White Rock ("White Rock"), the Ministry of Tourism and Provincial Secretary, the Purchasing Commission for the Province of British Columbia ("Purchasing Commission"), Semiahmoo, ECO-Clean Waste Systems Ltd. ("ECO-Clean"), and Columbia Plastics Ltd. ("Columbia"). Most of the persons interviewed were subsequently examined under oath at hearings in the matter of an Inquiry by the Comptroller General relating to the financial administration of the Growth and Opportunities B.C. Program.

FINDINGS

White Rock prepared an application for a GO B.C. Grant for a multi-material recycling program on March 9, 1989. The application showed an estimated total cost of $164,700 for the project and a request for GO B.C. funding in the amount of $95,700. This

application was reviewed by the Minister on March 21, 1989 and discussed by him with Mr. Gordon Hogg ("Hogg"), the Mayor of White Rock, on March 23, 1989.

Mr. George Doonan ("Doonan"), who was the Minister's campaign manager during the 1986 Provincial Election, and Mr. Bill Sullivan ("Sullivan"), who was a close friend of the Minister and of the Minister's daughter, discussed over lunch on March 12, 1989 the possibility of entering the waste recycling business.

On April 4, 1989, Doonan and Sullivan met with Mr. Scott Wood of Ropak Capilano, New Westminster, B.C., to discuss the fabrication of a mould to manufacture plastic recycling containers. Ropak Capilano was a proprietary manufacturer, that is they wanted to retain ownership of any mould that was developed. This was not satisfactory to Doonan and Sullivan as they wanted ownership of the mould. They therefore had meetings the following month with Columbia of Surrey, B.C., who are custom manufacturers of plastic products, to discuss the fabrication of a mould.

Doonan and Sullivan had obtained a sample of a recycling bin that was manufactured in the United States. These bins, similar to plastic milk crates, were designed to be stacked on top of each other. Gaps in the side would enable the householder to place different types of material in each bin. These types of bins were in use in San Jose, California and Bellingham, Washington.

On April 15, 1989, Doonan and Sullivan met with the Minister in his White Rock constituency office to discuss recycling. At this stage Doonan and Sullivan had an idea and little else. They requested the Minister's assistance in arranging a meeting with Provincial Government officials to promote their idea.

On May 15, 1989 Jarie Holdings Ltd., Doonan's wife's company, whose name was changed on July 14, 1989 to ECO-Clean, received a quotation from Columbia of $84,500 for the manufacture of a mould based on the sample provided. The quotation also provided prices for the manufacture of the bins ranging from $5.45 each for 5,000 bins to $5.28 each for 50,000 bins. Columbia was to be the manufacturer of the bins for ECO-Clean.

In the meantime, the Minister had not approved the March 9 White Rock application for a recycling grant. The original application included operating costs which were not expenses that could be covered under the GO B.C. rules. White Rock had also indicated that Surrey Food Bank was to be the contractor whereas the Minister wanted Semiahmoo. The Minister had, on a copy of the White Rock application, changed the bin costs from $36,000 to $42,000 and extrapolated the operating costs from 24 weeks to one year.

It would appear that the White Rock application was not received by the GO B.C. office until June 1, 1989.

As a result of the April 15 request by Doonan and Sullivan, the Minister arranged a meeting on May 18, 1989 in his Ministerial office in the Parliament Buildings, Victoria. Also present at this meeting were Mr. Jim Van, Assistant to the Minister of Government Management Services; Mr. Jim Rabbitt, M.L.A. Yale Lillooet, author of the "Rabbitt Report" A Solid Waste Management Strategy for British Columbia; and Mr. Jon Donald ("Donald"), the Minister's Executive Assistant.

At the May 18, 1989 meeting Doonan and Sullivan showed the others present a sample of the recycling bins and a brochure of the compartmentalized truck to be used for picking up the waste materials. Describing this meeting:

On page 388 of the transcript of the hearing referred to in "Procedures", Sullivan said:

> "... and generally explained how the system worked and how it would be beneficial to use this system as a groundwork for a model project for the Province of British Columbia ultimately hoping that every municipality would standardize and use that system."

On page 389 of the transcript Sullivan said:

> "... and we were also looking for some research and development money in the neighbourhood of $50,000, because the mould would cost us in excess of $100,000."

On page 303 of the transcript Doonan said:

"We were told that a pilot project could be funded by GO B.C."

(Q) To what extent?

(A) I think a hundred percent.

The Chairman:

"Who was it that mentioned that? Was that Mr. Reid?"

(A) I believe so.

On page 5 of Mr. Reid's transcript the following exchange took place:

(Q) Do you recall being aware that they were going to be approaching White Rock Council and talking to them?

(A) Yes --- when we talked about potential communities where a pilot model project could be implemented, I referred to my own because I really had a vision of this Community Pride project and recycling was a component of it and my community was one which I was anxious to implement the pilot model project ...

Mr. Van advised Doonan and Sullivan that he would arrange for someone from the Purchasing Commission to discuss their project with them. The following day Doonan was contacted by Mr. Peter Laipnieks ("Laipnieks").

Laipnieks' evidence was that on May 25, 1989 he met in a restaurant with Doonan, Sullivan and Mr. Hans Schinz ("Schinz"), the Minister's Ministerial Assistant. Doonan and Sullivan indicated they wanted to make a mould for the manufacture, by Columbia, of plastic recycling boxes.

On pages 636 - 638 of Laipnieks' transcript, discussing briefing notes prepared by the Purchasing Commission, the following exchange took place:

(Q) Looking at the next note ... ECO-Clean indicated a need for $50,000 to $100,000 in development funding over the $30,000 already invested.

(A) Uh huh.

(Q) They indicated to you that they had invested $30,000 in this?

(A) Yes, they didn't volunteer that. I somewhat insisted on that. "What have you spent so far?" I just wanted to see that this is a blue sky proposal, which, as you can appreciate, we often get, and they said they spent $30,000 at that point, and in my view, that gave some credibility. I never asked them to substantiate it, though, at that point.

(Q) Okay, and I was going to ask you that. That was the next question.

(A) No. I asked them to substantiate the whole thing with a proposal, which never came.

(Q) ... and you told them that the Purchasing Commission needed an order from a municipality?

(A) Yes.

(Q) And they had to produce that?

(A) Absolutely.

On page 643 Laipnieks continued:

(Q) You've mentioned that the design would have to be accepted by municipalities and an order received before you could proceed further.

(A) ... the proposal from ECO-Clean was they wanted the bin and they had a notion that the Purchasing Commission could accept their bin as the standard and I made it very clear to them that we have no authority. Its a municipal decision and they would have to win the business on a competitive basis at the municipal level — the Provincial Government had no authority to adopt one system over another.

Sullivan's evidence at the hearing was that Doonan and Sullivan had spent less than $1,000 on research and the rest of the $30,000 was time of both Doonan and Sullivan. Page 789 of Sullivan's transcript reads:

(Q) How much had been invested in the company, ECO-Clean, by the time you met with Mr. Laipnieks?

(A) A very small amount of capital, mostly time.

(Q) Less than a thousand dollars?

(A) Probably yes.

(Q) And what would you put the time cost at?

(A) February, March, April, May, four months. Two guys' time at four months - $40,000.

Doonan and Sullivan both gave evidence that at the May 18th meeting they believed that the Provincial Government had accepted their recycling program as a pilot project. They were sure that the funding was theirs. They only had to find a municipality to which to sell the program.

On Page 409 of Sullivan's transcripts, the following exchange took place:

(Q) And you've already told us that you had no intimation at any time that White Rock might want to put the job out for tenders?

(A) No, not at all, and I didn't -- and I didn't think that White Rock was in a position to put it out to tenders. It was a project being funded by the Provincial Government as a pilot project and they were getting, as opposed to -- to getting 30 percent funding through GO B.C., they were getting a hundred percent funding through GO B.C.

On pages 346 and 347 of Doonan's transcript, the following exchanges took place:

(Q) It's our understanding that the City of White Rock would have felt compelled to call for tenders on this project, which would have meant that you would have had to bid possibly against other competitors. Were you aware of that fact at any time?

(A) Well, that -- that would be a total misunderstanding on the part of White Rock, because White Rock was merely the recipients of a pilot programme. I stated earlier that I would have gone to -- to any town that was of a one-truck size. I mean White Rock had nothing. How could they go to tender? They either bought my programme with government funding or they weren't the recipients of it. It was -- that was black and white, cut and dried. They were never given a choice to go to tender. They were asked by me and by Mr. Sullivan if they wanted to be the recipients of the pilot programme, and they wanted to be, and as far as we know, they amended their application for funding to 18,000 bins, which was our multi-bin system. There was no other presentations made to them by anybody else to my knowledge on multiple-bin systems. We were the players.

(Q) And it's my understanding that the evidence will be that White Rock's position was that if they were to be the recipient of the quarter million dollar grant, they would dispose of it after calling for public tenders.

(A) Well, White Rock weren't given that choice. They wouldn't have been the recipient of the pilot programme to go to tender, because after all I had already received the project. I wasn't about to now go to tender. I didn't need a supplier. I was the supplier.

Doonan stresses that it was his pilot project. The evidence shows that ECO-Clean was only going to supply the equipment. White Rock was going to fund the operation and an organization such as Semiahmoo would provide the services. If Doonan's understanding was correct then ECO-Clean was to be the beneficiary of a GO B.C. grant.

On June 14, 1989, Doonan and Sullivan made a presentation to Hogg, Engineer Bob Gascoyne ("Gascoyne") and Administrator Wayne Baldwin ("Baldwin") of White Rock, of the three bin stacking recycling system. The White Rock officials were impressed with the system and invited Doonan and Sullivan to attend a White Rock Council "Committee of the Whole" meeting on June 19, 1989 to again demonstrate their system. They did attend this meeting.

On June 19, 1989, White Rock amended their application for a GO B.C. grant to include the three bin stacking system advocated by ECO-Clean. They also indicated on the amended application that the contracting would be performed by Semiahmoo.

By letter to the Minister dated June 5, 1989, ECO-Clean requested $50,000 from the Provincial Government for Research and Development.

By letter to the Minister dated June 15, 1989, ECO-Clean provided prices of curbside recycling vehicles.

Semiahmoo is a non-profit society dedicated to assisting the mentally handicapped. They had, for a period, contracted with White Rock for the pickup of waste paper for recycling. During the early part of 1989 they were receiving $800 per month from White Rock to help cover the costs of this service. The evidence shows that there had been discussions between Semiahmoo and White Rock relating to multi-material recycling but no negotiations had been commenced. White Rock officials have stated that if they did start a multi-material recycling program they would put the pick-up contract out to tender.

On March 13, 1989, the Minister had discussed with Hogg and Alanna Hendren ("Hendren"), the Executive Director of Semiahmoo, the possibility of Provincial Government funding for a paper recycling truck.

On June 23, 1989, Semiahmoo provided the Minister with a "Preliminary Proposal" relating to "White Rock Multi-Material Recycling Project". This proposal included a budget for operating costs. It is indicated in the proposal that White Rock would be buying recycling bins.

Also on June 23, 1989 a letter was sent from Hogg to the Minister stating that White Rock was impressed with the ECO-Clean presentation on recycling.

This letter was sent to the Minister at the request of Sullivan. Pages 456 - 458 of Hogg's transcript set out his recollection of the discussions with Sullivan:

(Q) In any event, you left with Mr. Sullivan the impression that White Rock was in no sense committed to hiring ECO-Clean?

(A) I made it very clear to him, because he was -- wanted very much for there to be a statement in writing that the Committee and Council was committed to following with that system, and I made it very clear to him that the Committee had only received the information; in fact, checked with the clerk to have again the -- motion read to me, and the motion that was passed, which was again only that the information be received and that no commitment was made with respect to that.

(Q) Did he express some disappointment or surprise?

(A) No, I -- he just reiterated that he would like that information conveyed to Mr. Reid.

The Chairman:

"Did he indicate at that point any urgency in that information being provided to Mr. Reid?"

(A) Yes, he did.

The Chairman:

"And did he, in fact, ask that a letter be provided on that day?"

(A) Yes, he did.

Mr. Henderson:

(Q) From the point of view of White Rock and yourself, was there any particular urgency about this?

(A) The only urgency was urgency which I perhaps construed, and that was that if there was an opportunity to strike in terms of the funding, that we wanted to have all the documentation that was necessary before the Minister or whomever was going to make the decision. We wanted to ensure that we provided everything necessary so that we weren't delaying a decision in any fashion.

(Q) Once you got a receptive audience for your application, you wanted to take --

(A) Take advantage of that; that's right.

The Chairman:

"... was it your impression from your conversation with Mr. Sullivan that the provision of this letter would enhance the probability of White Rock receiving a grant for this recycling concept?"

(A) Yes, it was.

The Chairman:

"So it's in your mind on the 23rd a letter that you would provide to Mr. Reid would, in fact, enhance the chances of White Rock receiving this grant that you had applied for?"

(A) That was certainly the impression that -- that Mr. Sullivan was conveying to me.

Mr. Peter Martin ("Martin"), Executive Director of Public Programmes, Ministry of Tourism and Provincial Secretary, was the person responsible for administering GO. B.C. Martin gave evidence to the inquiry that he recalled a meeting with the Minister, prior to the approval of the grant to Semiahmoo. At this meeting he understood from the Minister that the proposed suppliers of the 3-bin recycling system had a "cost barrier" that could cause some problems. Martin also recalls suggesting to the Minister that if the grant was made to a non-profit society, rather than to White Rock, that would avoid the possibility of the grant recipient having to put the purchasing of the equipment out to public tender thereby delaying the project.

The Minister gave evidence that calling for public tender was "never a consideration" in his discussions with White Rock.

On June 26, 1989, Donald faxed to the GO B.C. office instructions, in the Minister's own handwriting, to award Semiahmoo a grant for $287,065. Included in these instructions was a list of items to be purchased. The list of items totalled $277,065. The grant was finally approved for $277,065. These instructions caused some consternation in the GO B.C. office. Lisa Markham ("Markham"), the Coordinator of the GO B.C. Program, on pages 594 - 595 of the transcript states:

> "I don't recall anything just like this, because we always preferred to have the application form, because in essence that was our legal document. There is a certification section that the applicant has to sign, and we always felt that was very important to have a proper formal application on file."

Markham's evidence also indicated that much of the documentation now in the GO B.C. files relating to this award was not in the files on June 26, 1989. Specifically, the two letters dated June 5, 1989 and June 15, 1989 from ECO-Clean to the Minister had not previously been seen by Markham.

On pages 603 - 604 of Markham's transcript the following exchange took place:

(Q) While having your discussions you didn't know who ECO-Clean was?

(A) No, that's right, because all we had were the fax sheets that these were photocopies of. That was all I had when I made the file up and did the approval. There was nothing else and I would have remembered this because I thought ECO-Clean, "gee, how do we know that spelling is even right", et cetera, and if I had had letterhead from them you know, if would have stuck out in my mind but I have never seen this before.

A standard practice for all GO B.C. grants was the production by the GO B.C. office of a large, cardboard mock cheque payable to the recipient and signed by the Minister to be used for publicity purposes. Such a cheque was produced payable to Semiahmoo in the amount of $277,065.

On June 26, 1989, Schinz contacted Doonan, Sullivan and Hendren requesting them to attend a White Rock Council meeting that evening. Hendren was introduced to Doonan and Sullivan outside the Council chamber. This was the first time she had ever met either of them. At this meeting, the Minister announced a computer grant of $23,112.05 to Semiahmoo. He also announced a grant of $277,065 for a Multi-Material Recycling Programme. There is conflicting evidence as to whether or not the Minister announced that the grant was going to Semiahmoo. All the White Rock officials interviewed stated that they thought the grant was going to White Rock.

Hendren's evidence is that after the meeting she was told by the Minister, or in the presence of the Minister, that Doonan and Sullivan would be in her office the next day. She was to give them a purchase order for all the equipment totalling the full amount of the grant and that 50% funding would be provided on receipt of the purchase order and the balance would be paid when the equipment was received. She said that the Minister indicated that Doonan was a truck expert and Sullivan a plastics expert, that they had checked out all the equipment and this was "state of the art". Exhibit 12 at the hearing was a letter from the Minister to Hendren thanking her for the GO B.C. application and setting out the equipment to be purchased and the payment schedule of the grant.

After the Council meeting the Minister obtained the large cheque from the trunk of his car and gave it to Hendren at the curbside with only Schinz in attendance.

Doonan and Sullivan did attend the Semiahmoo office the next day and obtained a purchase order from Semiahmoo. When discussing the costs of the equipment with Hendren, Doonan or Sullivan stated that the cost of the bins included $50,000 for Research and Development.

Hendren stated that on July 5, 1989, she received a phone call from Schinz to say that he had a cheque payable to Semiahmoo in the amount of $138,532 ready to be picked up. She further stated that, 10 to 30 minutes after that call, she had a call from Sullivan to say he understood the cheque was available and could he pick up the cheque to ECO-Clean. The

cheque was picked up from the Minister's office and deposited to the bank account of Semiahmoo on July 5, 1989. Semiahmoo prepared a cheque for $138,532 payable to ECO-Clean. This was deposited into ECO-Clean's bank account on July 5, 1989.

On July 12, 1989, ECO-Clean received further quotations from Columbia for the manufacture of a mould. The least expensive of these moulds was $118,000. I understand that this quotation was picked up from Columbia by Sullivan.

In my discussion with Mr. Boon ("Boon") and Mr. Howard ("Howard") of Columbia I learned that they met with Doonan and Sullivan on June 26, 1989. ECO-Clean required a number of modifications to the plastic bin they had originally shown to Columbia. The modifications were significant giving rise to the increased quotation. When they met with Sullivan on July 12, he wanted to pay 50% of the original $84,500 quotation and order the mould. Boon explained that the modifications increased the cost of the mould, hence the higher quotations. Howard agreed to prepare some new drawings for ECO-Clean. These were provided to Sullivan on August 14, 1989. Columbia did not hear from ECO-Clean again until September 27, 1989. No order or money was received by Columbia from ECO-Clean.

Laipnieks had several discussions with Doonan and Sullivan. The Purchasing Commission's concern was to identify B.C. suppliers for what might be a multi-million dollar market. They were therefore interested in the ECO-Clean idea. According to Laipnieks, at a meeting in a Vancouver restaurant on July 13, 1989, Sullivan indicated to Laipnieks that ECO-Clean had secured a contract from White Rock and that their financing problems appeared to be solved. Laipnieks again asked for a written proposal. This was never received. On July 27, 1989 the Purchasing Commission did receive a referral from the Government Management Services Minister's office enclosing the ECO-Clean specifications and drawings.

In my opinion, the evidence is clear that Doonan and Sullivan had an idea for recycling. They had invested less than $1,000 of their own money and some time. They wanted the government to pick up at least some of their capitalization costs so that they could develop a recycling box that could be sold to the Purchasing Commission who would in turn sell to

municipalities. They wanted the Purchasing Commission to accept their recycling box as the standard for the Province, thereby acquiring a considerable advantage over any competition as the first B.C. manufacturer.

The Minister's involvement ensured that ECO-Clean did not have to bid competitively for the White Rock project. By awarding the GO B.C. grant to Semiahmoo, who had not applied, instead of to White Rock, the Minister directed the purchaser to the supplier and provided ECO-Clean with $50,000 to assist in the purchase of a mould.

On page 795 of the transcript Sullivan, replying to a question from the Chairman, said:

> "Well, you know, we could have always supplied White Rock with a source not made in British Columbia if worst came to worst."

This begs the question of what was to happen to the $50,000 Research and Development money. It also undermines the purpose of the $50,000 in ensuring that ECO-Clean was a B.C. manufacturer.

The Minister, in his evidence, said that if ECO-Clean did not obtain a mould and purchased bins elsewhere, the $50,000 would be returned by ECO-Clean to the Government (see transcript pages 998 - 999). ECO-Clean had received the money from Semiahmoo who had in turn received the money from the GO B.C. funds. The grant documentation does not include any reference to the $50,000 for Research and Development. Such a recovery would, in my opinion, be difficult to obtain unless ECO-Clean voluntarily returned the money.

The Minister, in his evidence, states he was very enthusiastic about recycling. He was impressed with the three bin system being promoted by Doonan and Sullivan and he wanted to fast track the project. The decisions on the project were made, however, with very little hard evidence on capital costs, operating costs or the ability of any of the parties to perform.

Key elements of the GO B.C. Program as stated in the brochure include the following:

1. Normally up to one-third of the costs of a project will be funded up to a maximum of $1 million per project.

2. Applicants must have secured on-going funding for projects.

3. Applications must be accompanied by a financial plan for the project.

4. Funds will be paid in one-third instalments at the following stages:

   (a) When the contract is let or work begun.
   (b) When the project is half complete.
   (c) Upon completion, following submission of a final audited statement of expenditures.

5. Application forms should be submitted before beginning the project because funding will not be provided for work done prior to applying.

The GO B.C. award to Semiahmoo did not meet these requirements because:

1. One hundred per cent of the costs of the project were approved.

2. Semiahmoo had not received a contract from White Rock and therefore were not assured of funding for operational costs.

3. No financial plan was provided.

4. Funds were paid 50% when equipment was ordered with the remaining 50% to be paid when the equipment was received.

5. No application form was submitted by Semiahmoo.

There appears to have been no real consultation among the parties. Before the grant was approved, Hendren had not even met Doonan and Sullivan. Semiahmoo had not known that White Rock submitted a GO B.C. application. White Rock had not known that Semiahmoo prepared a preliminary proposal for recycling.

At this time, a truck has been ordered and we understand, delivered to ECO-Clean. No action appears to have been taken prior to the press coverage on September 20, 1989 to obtain the bins with which to feed the truck, to find a site to empty the truck or find a market for the recyclable material. Semiahmoo have now indicated that they are incapable of performing and wish to return the GO B.C. grant.

It is worthy to note that Vancouver Council went to tender for recycling bins and received 12 bids from 10 different companies. Their bins are now being manufactured by Thunderbird Plastics Ltd. of Burnaby. The Vancouver bins are different from the ones proposed by ECO-Clean. I understand there is still considerable debate among the experts about the different recycling bins. Gascoyne, for example, is no longer convinced that the three bin system is the best since he had discussions on Friday, October 27, 1989 with the Manager of Recycling in Bellingham. He was advised that the bins were being taken and used for other purposes. He was concerned about the cost of continual replacements.

I shall be pleased to discuss this report with you.

Yours very truly,
ERNST & YOUNG

David Hooper
DH/cl

APPENDIX IV

SEMIAHMOO HOUSE SOCIETY RECYCLING GRANT CHRONOLOGY

For the purposes of this chronology the following short names have been used:

Minister:	The Minister of Tourism and Provincial Secretary
Society:	Semiahmoo House Society
City:	City of White Rock
ECO-Clean:	ECO-Clean Waste Systems Ltd. Principals Mr. George Doonan and Mr. William Sullivan.

1987

July 6 — Minister appointed.

1988

July — Concept of GO B.C. discussed.

Aug. — Working group formed to design GO B.C. program.

Sept. 8 — GO B.C. program introduced at the Union of British Columbia Municipalities Convention.

Oct. 17 — GO B.C. program announced in a news conference held in Robson Square, Vancouver.

Dec. 12 — The Executive Director of the Society met with the Minister and his Ministerial Assistant to resolve a funding problem that the Society was having.

1989

Mar. 6 — The Minister met with Mr. John Nixon to discuss recycling.

Mar. 9 — The City signed an application for a GO B.C. Grant for a multi-material recycling program.

Mar. 10 — The Minister received the GRVD Solid Waste Committee Report.

Mar. 12 — Doonan and Sullivan met for lunch to discuss recycling.

Mar. 13	The Minister discussed with the Mayor and the Executive Director of the Society the requirements for a truck to be used in the City's paper recycling program.
Mar. 19	Mayor Hogg and an Alderman from the City discussed recycling with the Minister at a reception.
Mar. 21	The Minister reviewed the City's GO B.C. grant application dated March 9, 1989.
Mar. 21	The Society discussed funding for computers with the St. Christopher's Foundation.
Mar. 23	Minister discussed with Mayor Hogg the City's grant application, recycling and street cleaning.
Mar. 28	The Minister met with the Executive Director of the Society to discuss the need for a new paper recycling truck.
Apr. 4	Doonan and Sullivan met with Mr. Scott Wood of Ropak Capilano to discuss recycling bins.
Apr. 11	The Minister visited the Society office and discussed multi-material recycling.
Apr. 15	Doonan and Sullivan met with the Minister and Schinz in the Constituency Office and discussed ECO-Clean and the recycling business. Doonan and Sullivan made aware of the City's application for a GO B.C. grant.
Apr.	Alderman Lower of the City requested an amendment of the City's GO B.C. application to include 100 sidewalk waste receptacles.
Apr. 17	The Society Board discussed a letter from the Minister and a meeting between Mr. John Hoy, President of the Society, and the Minister. The Society received an undertaking that the government was "prepared to buy us a suitable multi-material truck". The matter was referred to the Long Range Planning Committee.
May 3	Doonan met with Mr. Richard Boon of Columbia Plastics to discuss recycling bins and the manufacture of a mould.

May 8	Nor-Mar Truck and Equipment Ltd. prepared a quotation for the body of a proposed new recycling truck for the Society.
May 8	Phyllis Birch, a Director of the Society requested a meeting for herself and two other directors with the Minister to discuss a GO B.C. environment project.
May 10	Co-Van International Trucks Inc. prepared a truck quotation for the Society for their recycling program.
May 12	The Minister received the paper recycling truck quotations from the Society.
May 15	Columbia Plastics Ltd. presented ECO-Clean a quotation for the manufacture of an extrusion mould and the cost of making the bins.
May 18	Doonan and Sullivan met with the Minister; Mr. Jim Rabbit, MLA Yale-Lillooet; Mr. Jim Van, Ministerial Assistant to the Minister of Government Management Services; and Mr. Jon Donald, Executive Assistant to the Minister.
May 25	The Minister informed the City, by letter, that its GO B.C. grant application for funding a recycling program had been transferred to the Lottery Fund.
May 25	Doonan and Sullivan met with Mr. Peter Laipnieks of the Purchasing Commission and Mr. Hans Schinz the Minister's Assistant to discuss the possibility of the Purchasing Commission making a "first buy" of the recycling bins.
June 1	GO B.C. administration received a copy of the March 9, 1989, City application with pencilled amendments.
June 5	Letter from ECO-Clean to minister confirming the May 18, 1989 meeting discussion and requesting $50,000 government assistance toward the research and development of the proposed program. (This was to be used as a 50% contribution towards the cost of an extrusion mould).
June 7	The Society applied for a GO B.C. grant of $7,704.02 to fund one third of a proposed computer purchase.
June 13	The Society's application for a GO B.C. grant for computer purchase mailed.

June 14 — Doonan and Sullivan met with the Mayor, Administrator, and Engineer of the City to present the three bin multi-material recycling proposal.

June 15 — Letter from ECO-Clean to the Minister setting out several options for the type and cost of a truck necessary for a three bin recycling system.

June 15 — The Minister acknowledged, by letter, the City's GO B.C. application and informs that it has been sent to the GO B.C. office for review.

June 15 — The Minister approved the Society's grant application for computer purchase.

June 17 — The Society's Board, in a retreat, discussed their 1989/90 programme including multi-material recycling.

June 19 — The City's Committee of the Whole received a presentation from ECO-Clean on the three bin multi-material recycling pilot project.

June 19 — The City completed a revised application for a GO B.C. grant for $257,700 for a three bin system, multi material recycling program.

June 19 — The Minister received a call from the Executive Director of the Society to discuss the joint program with GO B.C., the City and the Society.

June 20 — The Society Board meeting reported three proposals totalling $23,100 to cover the cost of the computer project. The Society's Long Range Planning Committee recommended proceeding with a White Rock multi- material recycling project as follows:

- the City would purchase the bins from the grant;
- GO funding would be needed to purchase a truck and a fork lift; and
- the City would pay a fee of $40,000 per year.

June 20 — Minister's testimony was that he sent the City's revised GO B.C. grant application to staff. Date may have been June 21 or 22.

June 21 — Sullivan called Mr. Boon at Columbia Plastics to set up another meeting.

June 23	The Society prepared a preliminary proposal for a multi-material, single box, recycling program. It was submitted to Mr. Hans Schinz.
June 23	The Minister received the proposal from the Society for multi-material recycling.
June 23	The Minister received the updated grant application from the City indicating Semiahmoo House Society to be the recycling contractor and requesting $257,000.
June 26	Sullivan met with representatives of Columbia Plastics and requested changes to the design of the mould.
June 26	Minister sent, by facsimile, his notes for approval of a grant to be paid for the Semiahmoo Community Pride Model Recycling Project.
June 26	The Minister approved a grant in the amount of $277,065 to the Society.
June 26	Lottery Branch deemed the City's grant application to be withdrawn.
June 26	Letter from the Minister to the Society thanking it for the application for GO B.C. funding and giving approval for an amount of $277,065.
June 26	The Minister attended the City Council Meeting, announces the grant to the Society for 100% of their computer purchase ($23,112) and also announces the Semiahmoo Community Pride Model Recycling Project.
June 27	Doonan and Sullivan went to the Society's office and the Society completed a purchase order to ECO-Clean for purchase of a truck and bins. The total amount was $277,065, with 50% paid down which was the amount of the first cheque to be received from GO B.C.
June 29	Sullivan called Columbia Plastics to set up a further meeting.
June 30	News release on the payment of the first half of the grant to the Society.
July 5	The Society received the first half of the $277,065 grant. The cheque, dated June 30, 1989, was for $138,532.

July 5 — Sullivan picked up the deposit cheque from the Society to ECO-Clean. This is the first amount deposited to the ECO-Clean bank account.

July 6 — Doonan and Sullivan met with Columbia Plastics Ltd. to discuss the design of the stackable bins and discussed going out for quotes.

July 10 — Columbia Plastics provided preliminary drawings and a critical path diagram to Sullivan.

July 12 — Columbia Plastics revised their quotation for the production of the extrusion mould. This was picked up by Sullivan and Doonan and discussed. No guarantee on delivery dates. Columbia undertook to produce isometric drawings.

July 13 — Doonan and Sullivan met with Peter Laipnieks to discuss the possible involvement of the Purchasing Commission in setting standard specifications for recycling bins.

July 13 — The Society's Vocational Committee reported on the provision of $277,000 for the recycling program. It was noted that the first priority was for a contract with the City.

July 14 — ECO-Clean Waste Systems Ltd. was registered by way of name change from Jarie Holdings Ltd.

July 20 — The Executive Director of the Society wrote to the Minister to express the Society's thanks for the two cheques and to enclose a copy of their initial proposal to the City for the recycling program. The proposal was mailed the same day to the City.

July 24 — The Minister received a copy of a letter from the Society to the City advising that the Society wanted to conclude a contract for multi-material recycling as soon as possible.

July 27 — The Minister visited his colleague the Minister of Government Management Services to provide him with the specifications for the bins to be used in a three bin system and to seek the approval of them by the Purchasing Commission.

July 27	Letter from Hon. Cliff Michael, Minister of Government Management Services to Mr. Steve Hutchings, C.E.O. Purchasing Commission enclosing specifications received from ECO-Clean for the plastic bins to be used in the proposed three bin system.
Aug. 14	Columbia Plastics provided ECO-Clean with the isometric drawings. No more contact until Sept 27, 1989.
Aug. 29	The Minister advised the Semiahmoo Peninsula Community Pride Committee that the Province would consider funding approved three bin recycling systems where municipalities already had single bin "blue box" systems in place. The old bins could be sold to the manufacturers of the new bins and recycled.
Aug. 30	GO B.C. administration received the City application dated June 19, 1989.
Sept. 13	The City Administrator presented a memorandum to Committee of the Whole on the recycling project.
Sept. 14	The Minister received, by facsimile from the Mayor of White Rock, a copy of a memorandum dated Sept.13, 1989 prepared by Mr. Baldwin, City Administrator, outlining the history of the City's grant application, criticizing the disposition of the grant.
Sept. 15	The Minister called the Mayor to discuss the Baldwin memorandum and the ownership of the recycling truck.
Sept. 16	The Minister discussed the employment of the Society's clients in the recycling project with the Society's Executive Director and a Board Member (Phyllis Birch).
Sept. 18	Sullivan phoned Laipnieks to see what support the Purchasing Commission would provide to the project.
Sept. 19	The Society Board meeting discussed a multi-material recycling report prepared by Hendren and the Baldwin report prepared for the City (dated Sept. 13, 1989). It was decided not to be involved and to write to the Minister to this effect.
Sept. 20	The Vancouver Sun published a story on the GO B.C. grant paid to the Society.

Sept. 20	By double registered mail the Society cancelled its order to ECO-Clean and requests a full refund of their deposit.
Sept. 22	Minister resigned.
Sept. 25	City Council received minutes of meeting of Committee of the Whole of September 18, to deal with the Administrators concerns over the sequence of events to date, relative to GO B.C. grant application.
Sept. 25	ECO-Clean paid the unexpended balance of the deposit monies received from the Society into a lawyers' trust account.
Sept. 26	ECO-Clean's lawyers wrote to the Society stating the company's position on the cancellation of the order and the disposition of the deposit funds.
Sept. 26	The Comptroller General was requested to review the making of the grants to the Society.
Sept. 30	Letter from the Society to the Minister informing him of the Society's withdrawal from the multi-material recycling program. According to Mr. Reid's testimony this letter was picked up by Mr. Reid on September 25.